

## Financial Reports for the Second Quarter of the Fiscal Year Ending March 31, 2022 [Japanese Standard] (Consolidated)

Company name	Datasection Inc.		Stock Exchange Listing: Tokyo
Code number	3905	URL	<a href="https://www.datasection.co.jp">https://www.datasection.co.jp</a>
Representative	President and CEO		Kento Hayashi
Contact Person	Director and CFO		Toshio Mochizuki TEL 03-6427-2565

(Rounded down to less than one million yen)

1. Consolidated Financial Results for the Q2 of the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results (Cumulative) (% is the percentage of increase and decrease rate compared to the previous fiscal year)

	Sales		Operating income		Ordinary income		Quarterly net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q2 of Fiscal Year Ending March 31, 2022	721	8.2	-10	-	22	-	-0	-
Q2 of Fiscal Year Ended March 31, 2021	666	21.5	6	-	-10	-	-18	-

Note: Comprehensive income Q2 of Fiscal Year Ending March 31, 2022 12 (-%) Q2 of Fiscal Year Ended March 31, 2021 -37 (-%)

	Quarterly net income per share	Quarterly net income per share adjusted for potential shares
	Yen	Yen
Q2 of Fiscal Year Ending March 31, 2022	-0.03	-
Q2 of Fiscal Year Ended March 31, 2021	-1.36	-

Note: Quarterly net income per share adjusted for potential shares are not stated because of Quarterly net loss per share in both periods.

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q2 of Fiscal Year Ending March 31, 2022	4,560	2,879	62.7
Fiscal Year Ended March 31, 2021	4,268	2,868	66.2

Reference: Equity capital Q2 of Fiscal Year Ending March 31, 2022 2,860 Fiscal Year Ended March 31, 2021 2,825

2. Status of dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	end of the year	sum
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 31, 2021	-	0.00	-	0.00	0.00
Fiscal Year Ending March 31, 2022	-	0.00			

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	Annual dividends				
	End of Q1	End of Q2	End of Q3	end of the year	sum
Fiscal Year Ending March 31, 2022 (forecast)			-	0.00	0.00

Note: Whether or not there is a revision from the dividend forecast recently announced: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(% is the percentage of increase and decrease rate compared to the previous fiscal year)

	Sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,500	8.0	-50	-	-60	-	-116	-	-8.29
	~	~	~	~	~	~	~	~	~
	1,900	36.7	100	454.0	90	184.3	6	-	0.43

Note: Whether or not there is a revision from the most recently announced earnings forecast: None

※ Notes

(1) No significant changes in subsidiaries (changes in specified subsidiaries due to changes in the scope of consolidation) during the cumulative consolidated period of the fiscal year ending March 31, 2022  
New: - Excluded: -

(2) Application of accounting specific to the preparation of quarterly consolidated financial statements:  
None

(3) Changes in accounting policies, changes in accounting estimates, and re-display of amendments

(1) Changes in accounting policies due to revisions to accounting standards, etc.: Yes

(2) Changes in accounting policies other than (1): None

(3) Change in accounting estimates: None

(4) re-display of amendments: None

(4) Number of shares outstanding (common stock)

(1) Number of shares outstanding at the end of the period (including treasury stock)	Q2 of Fiscal Year Ending March 31, 2022	14,196,753share	Fiscal Year Ended March 31, 2021	13,996,553share
(2) Number of treasury shares at the end of the period	Q2 of Fiscal Year Ending March 31, 2022	642share	Fiscal Year Ended March 31, 2021	6share
(3) Average number of shares during the period (cumulative)	Q2 of Fiscal Year Ending March 31, 2022	14,109,290share	Fiscal Year Ended March 31, 2021	13,675,802share

\* Quarterly financial results are not subject to quarterly reviews by certified public accountants or audit firms.

\* Explanations and other special notes regarding the appropriate use of earnings forecasts

The forward-looking statements of the earnings outlook, etc. described in this document are based on the information currently obtained by the Company and certain assumptions that it deems reasonable, and actual results may differ materially due to various factors.

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## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheet

(Unit: 1,000 yen)

	Previous Consolidated Fiscal Year (As of March 31, 2021)	Q2 Consolidated Fiscal Period (As of September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	1,611,634	1,614,825
Notes of receivables, accounts receivables and contract assets	306,395	371,480
Products	44,124	42,979
other	69,622	82,162
Total current assets	2,031,777	2,111,448
Non-current assets		
Tangible fixed assets	176,721	194,783
Intangible fixed assets		
goodwill	808,457	818,778
software	259,166	341,449
Software in progress	80,691	101,025
Other	107,931	100,853
Total intangible assets	1,256,248	1,362,106
Investments and other assets	803,569	892,103
Total fixed assets	2,236,539	2,448,993
Total assets	4,268,316	4,560,441
<b>Liabilities</b>		
Current liabilities		
Short-term loans payables	487,983	450,303
Long-term loans payables within one year	216,208	304,732
Payables	87,282	130,251
Accrued expenses	24,884	56,784
Corporate taxes payables	65,605	41,490
Consumption tax payables	20,078	21,658
Allowance for bonuses	14,437	14,727
Other	9,839	20,032
Total current liabilities	926,320	1,039,982
Non-current liabilities		
Long-term loans payables	406,389	562,133
Deferred tax liabilities	2,342	14,025
Asset retirement obligations	10,510	10,510
Other	53,969	54,118
Total non-current liabilities	473,212	640,788
Total liabilities	1,399,533	1,680,770
<b>Net Assets</b>		
Shareholders' equity		
Capital	1,400,335	1,452,552
Capital surplus	1,186,097	1,162,044
Retained earnings	236,252	235,825
Treasury stock	-3	-3
Total shareholders' equity	2,822,681	2,850,419
Accumulated other comprehensive income		
Currency translation adjustment account	2,475	10,563
Total other comprehensive incomes	2,475	10,563
Stock acquisition rights	3,966	3,966
Non-controlling interest	39,659	14,722
Total net assets	2,868,783	2,879,671
Total liabilities and net assets	4,268,316	4,560,441

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(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
 (Consolidated Statements of Income)  
 (2nd Quarter Consolidated Cumulative Period)

(Unit: 1,000 yen)

	Consolidated Cumulative Period for the Previous Q2 (From April 1, 2020 to September 30, 2020)	Consolidated Cumulative Period for the Q2 (From April 1, 2021 to September 30, 2021)
Sales	666,630	721,575
Cost of Sales	411,517	450,662
Gross profit	255,112	270,913
Selling, general and administrative expenses	248,327	281,771
Operating income or operating loss (-)	6,785	-10,858
Non-operating revenue		
Interest received	200	268
Profit of anonymous partnership investments	-	45,221
Grant income	2,000	-
Other	377	2,891
Total non-operating revenue	2,578	48,381
Non-operating expenses		
Interest expense	3,996	2,313
Loss of equity method investments	3,184	2,016
Loss of anonymous partnership investments	877	-
Foreign exchange loss	11,916	8,801
Other	332	1,882
Total non-operating expenses	20,306	15,014
Ordinary income or ordinary loss (-)	-10,942	22,508
Net income before income taxes or net loss before income taxes (-)	-10,942	22,508
Corporate tax, inhabitant tax and business tax	22,376	18,944
Adjustment for income taxes	-19,463	425
Total income taxes	2,912	19,369
Quarterly net income or quarterly net loss (-)	-13,854	3,139
Net income attributable to non-controlling shareholders	4,700	3,565
Net loss attributable to owners of parent (-)	-18,554	-426

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(Consolidated Statements of Comprehensive Income)

(2nd Quarter Consolidated Cumulative Period)

(Unit: 1,000 yen)

	Consolidated Cumulative Period for the Previous Q2 (From April 1, 2020 to September 30, 2020)	Consolidated Cumulative Period for the Q2 (From April 1, 2021 to September 30, 2021)
Quarterly net income or quarterly net loss (-)	-13,854	3,139
Other comprehensive income		
Exchange conversion adjustment account	-23,198	9,246
Total other comprehensive income	-23,198	9,246
Quarterly inclusive income	-37,052	12,385
(Breakdown)		
Consolidated quarterly income attributable to shareholders of parent	-39,426	7,661
Consolidated quarterly income attributable to non-controlling shareholders	2,373	4,724

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(3) Quarterly Consolidated Statements of Cash Flows

(Unit: 1,000 yen)

	Consolidated Cumulative Period for the Previous Q2 (From April 1, 2020 to September 30, 2020)	Consolidated Cumulative Period for the Q2 (From April 1, 2021 to September 30, 2021)
<b>Cash flow through operating activities</b>		
Net income before taxes or Net loss before taxes (-)	-10,942	22,508
Depreciation	57,762	49,165
Amortization of goodwill	49,543	48,494
Increase or decrease in bad debt allowance (decrease in negative)	113	-
Interest received and dividends received	-200	-268
Interest expense	3,996	2,313
Gain or loss on investment under equity method (gain in negative)	3,184	2,016
Grant income	-2,000	-
Foreign exchange gain and loss (gain in negative)	11,844	-10,289
Gain or loss on anonymous partnership investment (gain in negative)	877	-432
Increase or decrease in receivables (increase in negative)	71,245	-30,526
Increase or decrease in inventories (increase in negative)	-8,302	629
Increase or decrease in payable and unpaid expenses (decrease in negative)	-14,945	-20,290
Increase or decrease in other assets (increase in negative)	-14,705	-933
Increase or decrease in other liabilities (decrease in negative)	-16,358	34,975
Other	1,555	-2,261
Subtotal	132,665	95,100
Amount of interest and dividends received	200	268
Interest payment	-3,996	-2,313
Amount of corporate tax paid	-23,563	-54,719
Amount of refund of corporate tax	16,067	10,467
Amount of grant received	2,000	-
Cash flow through operating activities	123,373	48,803
<b>Cash flow through investment activities</b>		
Expenditures for time deposits	-20,000	-
Expenses for acquisition of tangible fixed assets	-22,338	-29,065
Expenses for acquisition of intangible assets	-62,248	-64,414
Proceeds from acquisition of shares of subsidiaries accompanying with changes in the scope of consolidation	-	5,892
Expenditures for acquisition of shares of affiliated companies	-24,640	-
Expenditures for acquisition of investment securities	-	-40,270
Lending of money	-320,170	-2,322
Proceeds from collection of loans	1,500	1,500
Expenditures for insurance reserves	-12,886	-19,292
Cash flow through investment activities	-460,783	-147,972
<b>Cash flow through financial activities</b>		
Income from long-term loans	235,999	353,055
Repayment of long-term loans	-134,492	-112,841
Increase or decrease in short-term loans	-6,188	-129,639

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(decrease in negative)		
Proceeds from issuance of shares	14,585	110
Expenses for repurchase of treasury stock	-2	-
Expenses due to acquisition of shares of subsidiaries without changing the scope of consolidation	-	-8,074
Cash flow through financial activities	109,902	102,609
Foreign exchange difference on cash and cash equivalents	-17,529	-248
Increase or decrease in cash and cash equivalents (decrease in negative)	-245,036	3,191
Opening balance of cash and cash equivalents	1,688,094	1,580,633
Balance of cash and cash equivalents at the end of the quarter	1,443,057	1,583,824

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(4) Notes on quarterly consolidated financial statements

(Change of accounting policy)

(Application of accounting standards, etc. related to revenue recognition)

The company hereinafter referred to "Accounting Standards for Revenue Recognition" (Accounting Standard No. 29, March 31, 2020) etc. from the beginning of the first quarter consolidated accounting period, and when the control of the promised goods or services is transferred to the customer, the Company has decided to recognize the revenue by the amount expected to be received in exchange for the goods or services. The impact of the adoption of the standard on the quarterly consolidated financial statements was minor.



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(Segment information)

I. Consolidated Cumulative Period for the Previous Q2 (From April 1, 2020 to September 30, 2020)

1. Information on sales and income amounts per reporting segment

(Unit: 1,000 yen)

	Reporting segment			Adjustment (Note 1)	Amounts on Consolidated Financial Statements (Note 2)
	Retail marketing	Data analysis solution	Total		
Sales					
Sales to external customers	187,369	479,261	666,630	-	666,630
Internal sales between segments	-	28,686	28,686	-28,686	-
Total	187,369	507,947	695,316	-28,686	666,630
Segment income	14,135	75,015	89,151	-82,365	6,785

Note 1. Adjustment to segment income of -82,365 thousand yen is company-wide expenses not allocated to each reporting segment.

2. Segment income is adjusted to operating income in the quarterly consolidated statements of income for the quarter.

II. Consolidated Cumulative Period for the Q2 (From April 1, 2021 to September 30, 2021)

1. Information on sales and income or loss for each reporting segment and information on decomposition of sales

(Unit: 1,000 yen)

	Reporting segment			Adjustment (Note 1)	Amounts on Consolidated Financial Statements (Note 2)
	Retail marketing	Data analysis solution	Total		
Sales					
Goods or services that are transferred at a point in time	13,224	211,880	225,105	-	225,105
Goods or services that are transferred over time	216,090	280,380	496,470	-	496,470
Sales from contracts with customers	229,315	492,260	721,575	-	721,575
Other revenue	-	-	-	-	-
Sales to external customers	229,315	492,260	721,575	-	721,575
Internal sales between segments	-	33,304	33,304	-33,304	-
Total	229,315	525,564	754,879	-33,304	721,575
Segment income or loss (-)	-6,150	71,722	65,572	-76,430	-10,858

Note 1. Adjustment to segment income or loss (-) of -76,430 thousand yen is company-wide expenses not allocated to each reporting segment.

2. Segment income or loss (-) is adjusted to operating income or loss in the consolidated statements of income for the quarter.